

## IHS Markit Saudi Arabia PMI®

### Omicron surge dampens growth in non-oil activity

#### Key findings

Rate of output expansion slips to five-month low

Weakest upturn in new business since October 2020

Input cost and output charge inflation moderate

Data were collected 12-21 January 2022.

The Saudi Arabia PMI™ slipped again at the start of 2022, as a sharp rise in COVID-19 cases led to increased hesitancy among businesses and customers which culminated in the weakest growth of new business since October 2020. The slowdown in demand resulted in a softer rate of output expansion and only a fractional rise in employment numbers, although input purchasing continued to rise sharply. On the plus side, cost inflation moderated to a five-month low, while optimism towards future activity picked up from December's recent nadir.

The headline seasonally adjusted IHS Markit Saudi Arabia Purchasing Managers' Index™ (PMI) posted 53.2 in January to signal a solid improvement in the health of the non-oil private sector economy. That said, the index was down from 53.9 in December and at its lowest level for 15 months.

Demand conditions among non-oil firms were hindered by the rapid rise in COVID-19 cases linked to the Omicron variant. The rate of new order growth softened for the fourth consecutive month and was the slowest recorded since October 2020. According to survey panellists, some clients withheld orders due to uncertainty about the economic impact of the new variant, while other respondents highlighted a reduction in travel.

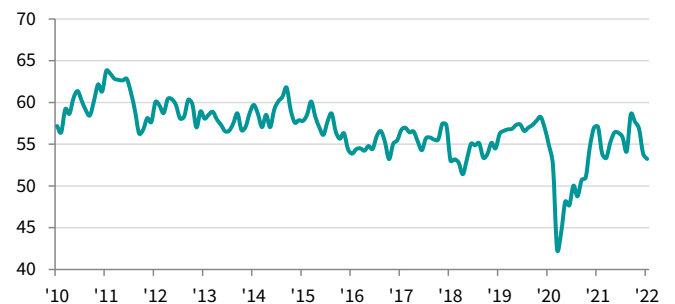
New orders from foreign customers decreased for the first time since last March, albeit only marginally. Firms found that the surge in cases and rising prices for goods and transport had collectively driven the renewed fall.

While remaining sharp overall, the rate of expansion in business

*continued...*

Saudi Arabia PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

#### Comment

Commenting on the latest survey results, David Owen, Economist at IHS Markit, said:

*"Customer demand in the non-oil sector was quelled by the Omicron variant at the start of the year, leading to slower rises in activity and new business and the softest improvement in business conditions since October 2020. Export sales decreased for the first time since last March, as companies also blamed high costs for global shipping and transport."*

*"Employment markets remained subdued, with the latest data pointing to the weakest hiring momentum for ten months. Despite staff shortages linked to rising COVID-19 cases, companies were able to reduce their backlogs at the quickest rate since last July."*

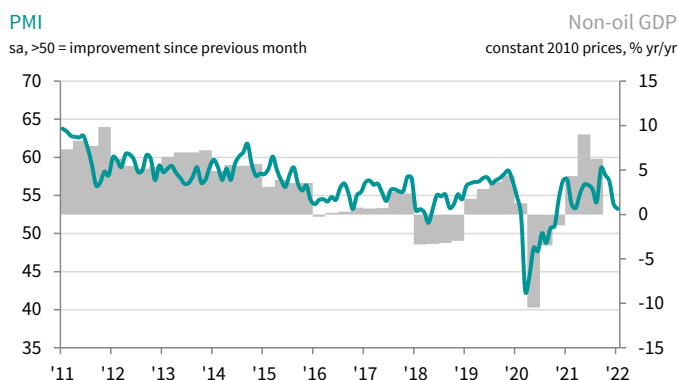
activity subsequently slowed to a five-month low in January. The upturn was also the second-weakest recorded for more than a year.

Backlogs of work meanwhile fell at the strongest rate for six months, despite reports of staff shortages due to COVID-19 absences. With spare capacity remaining evident, staff numbers were raised only fractionally and at the softest pace in the current ten-month sequence of job creation.

Efforts to build inventories and support output led to a further sharp rise in purchasing among non-oil companies in January. That said, the slowdown in new orders meant that some firms asked vendors to delay input arrivals in a bid to avoid overstocking, meaning that overall delivery times were unchanged after four successive months of improvement.

Input cost pressures moderated at the start of the year, with the latest data indicating the softest increase in total expenses since last August. Purchase prices rose only modestly, while there was a further decline in staff wages. As a result, output charges were raised to the least extent for four months.

Finally, the year-ahead outlook for the non-oil sector restrengthened in January after sentiment dropped to an 18-month low at the end of 2021. Hopes were often underpinned by expectations that a recovery from the pandemic will lead to stronger new business growth and a stabilisation of global markets.



Sources: IHS Markit, GaStat.

## Contact

David Owen  
Economist  
IHS Markit  
T: +44 1491 461 002  
[david.owen@ihsmarkit.com](mailto:david.owen@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
IHS Markit  
T: +44 2072 602 234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### Methodology

The IHS Markit Saudi Arabia PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include manufacturing, construction, wholesale, retail and services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

Data were collected 12-21 January 2022.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

### About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2022 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com). To read our privacy policy, click here.

### About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)